

**PUBLIC DISCLOSURE**

OCTOBER 15, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BOSTON FIREFIGHTERS CREDIT UNION

60 HALLET STREET  
DORCHESTER, MA 02124

DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting its needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **BOSTON FIREFIGHTERS CREDIT UNION (BFCU)** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

### **INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire membership in a manner consistent with its resources and capabilities.

This examination was conducted utilizing three performance criteria for small institutions: 1) Average Net Loan to Share ratio, 2) Lending to Members of Different Incomes both in terms of purchased loans and consumer loans and 3) Fair Lending.

The credit union's average net loan-to-share ratio for the previous eight quarterly periods is 48.4 percent. The ratio has reflected a steady increase from 42.0 percent beginning in March 2002 increasing to 61.5 percent in June 2003. Based on the increasing trend and the credit union's position in comparison to other similar institutions, it was found to meet the standards for satisfactory performance.

An analysis of first mortgage loans purchased by the credit union from Members Mortgage Corporation and a sample of 60 consumer loans originated during the same period was conducted. The analysis revealed that 38.7 percent of the purchased residential loans were originated to low and moderate-income members. Of the consumer loan sampled, 66.7 percent was originated to members of low- and moderate income. A rating of meets satisfactory performance was granted for this criterion.

The credit union's fair lending performance is considered to meet the standards of satisfactory performance.

## **PERFORMANCE CONTEXT**

### **Description of Institution**

Boston Firefighters Credit Union is an industrial credit union chartered by the Commonwealth of Massachusetts in 1931 for the purpose of promoting thrift among its members and the loaning of such savings to its members. As an industrial credit union, Boston Firefighters Credit Union is member orientated and is committed to ascertain and meet the credit needs of its membership.

As of June 30, 2003, the credit union had assets of approximately \$95,339,337 and the loans comprised approximately \$50,885,149 or 53.4 percent of total assets. The loan portfolio is composed of residential mortgages, personal, new and used auto, lines of credit, credit cards, other real estate and shared secured loans. The majority of the credit union's loan portfolio, 54.5 percent, represents residential mortgage loans followed by lines of credit, which represented 17.3 percent.

While Boston Firefighters Credit Union does not originate mortgage loans, it does purchase such loans. Members wishing to purchase a home are referred to Members Mortgage Company, Inc., an area mortgage company. The credit union then purchases the mortgages back from Members Mortgage after the credit decision is made.

The following table depicts the credit union's loan portfolio composition based on the June 30, 2003 NCUA Call Report of Condition.

<b>LOAN PORTFOLIO COMPOSITION</b>		
<b>LOAN TYPE</b>	<b>\$ AMOUNT (000's)</b>	<b>%</b>
FIRST MORTGAGE	\$27,747,695.00	54.5%
LINES OF CREDIT	\$ 8,790,299.00	17.3%
ORE	\$ 4,507,238.00	8.9%
USED VEHICLE	\$ 4,445,154.00	8.7%
NEW VEHICLE	\$ 3,053,797.00	6.0%
CREDIT CARDS	\$1,458,235.00	2.9%
SHARE SECURED	\$ 882,731.00	1.7%
<b>TOTALS</b>	<b>\$50,885,149.00</b>	<b>100.00%</b>

June 30, 2003 NCUA Call Report of Condition

The credit union's main office is located at 60 Hallet Street, Dorchester. Business hours are Monday, Tuesday, Wednesday and Friday 8:30AM to 4:00PM and Thursdays, there are late hours until 5:30pm. The credit union's hours are considered convenient and accessible to its members.

During the current examination, the credit union applied for and was granted additional lending authority under the Parity Provisions of Massachusetts General Laws. The granted powers are described below:

1. Unsecured consumer loans up to \$30,000 for a term up to 48 months pursuant to 209 CMR 50.06(3)(e);
2. Direct automobile loan financing up to 100 percent of the value of the collateral up to \$50,000 for a term up to 60 months pursuant to 209 CMR 50.06(3)(f);
3. First lien residential mortgage loans up to 95 percent loan-to-value up to \$400,000 for term up to 30 years pursuant to 209 CMR 50.06(3)(j) 1 and 209 CMR 50.06(3)(k) 1.;
4. First lien residential mortgage loans up to 97 percent loan-to-value up to \$400,000 for term up to 30 years pursuant to 209 CMR 50.06(3)(j) 1 and 209 CMR 50.06(3)(k) 2.

In February 2003, BFCU began a three-way partnership with Members Mortgage Company and MassHousing, and began to offer the Municipal Mortgage Program to members of the credit union. This program is offered to municipal employees who are purchasing a home in the city/town in which they work.

The credit union maintains one ATM machine, located at the credit union's sole office. The credit union's ATM machine is maintained by ELAN Operations, a subsidiary of Mellon Bank. Credit Union ATM cards are connected to several networks including Cirrus, NYCE, Exchange, American Express, Discovery and Novice.

There appears to be no significant financial or legal impediments, which would limit the credit union's ability to help meet the credit needs of its membership.

The credit union was last examined for compliance with the Community Reinvestment Act by the Division of Banks on December 9, 1999. That examination resulted in a satisfactory rating.

### **Description of Assessment Area (Membership)**

The Community Reinvestment Act (CRA) regulation requires that each financial institution delineate one or more assessment area(s) within which the institution's record of helping to meet community credit needs is evaluated. Under the Massachusetts CRA Regulation, 209 CMR 46.41(8), a credit union whose membership by-law provisions are not based on residence may delineate its membership as its assessment area. Boston Firefighters Credit Union, as an industrial credit union whose membership is based upon affiliation rather than geography, has elected to identify its assessment area in this manner.

The credit union's by-laws state that "Membership in this corporation is limited to: (a) Active and retired employees of the Boston Fire Department (b) Employees of the Credit Union (c) Spouses to the president of local 718, the manager and bookkeeper of Florian Associates (e) Children and stepchildren of persons listed in (a), (b), or (c) and any person for whom a person listed in (a), (b), or (c) has been designated a legal guardian."

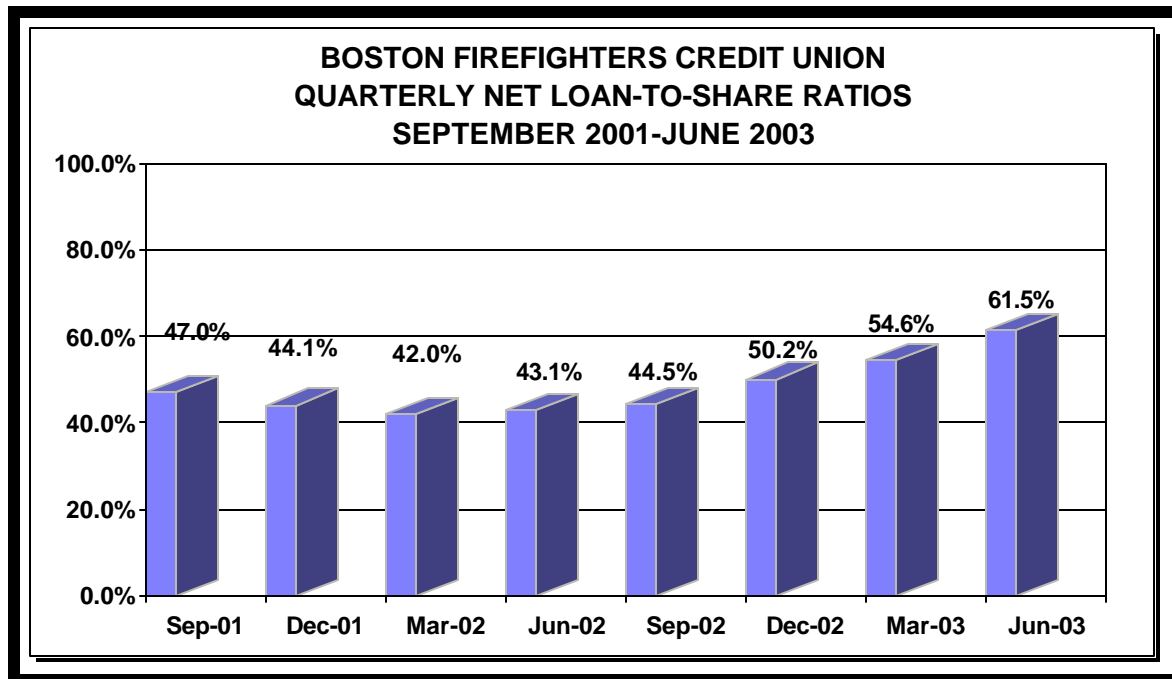
The credit union is located in Dorchester, Massachusetts, which places it within the Boston Metropolitan Statistical Area (MSA).

## **PERFORMANCE CRITERIA**

### **1. LOAN TO SHARE ANALYSIS**

An analysis of Boston Firefighters Credit Union's net loan-to-share ratio was performed during the examination. The calculation incorporated eight, quarterly periods of the credit union's net loan to total share figures utilizing the NCUA (National Credit Union administration) 5300 call reports. This review included the quarters ending September 30, 2001 through June 30, 2003. The institution's average net loan-to-share ratio during this period was determined to be 48.4 percent.

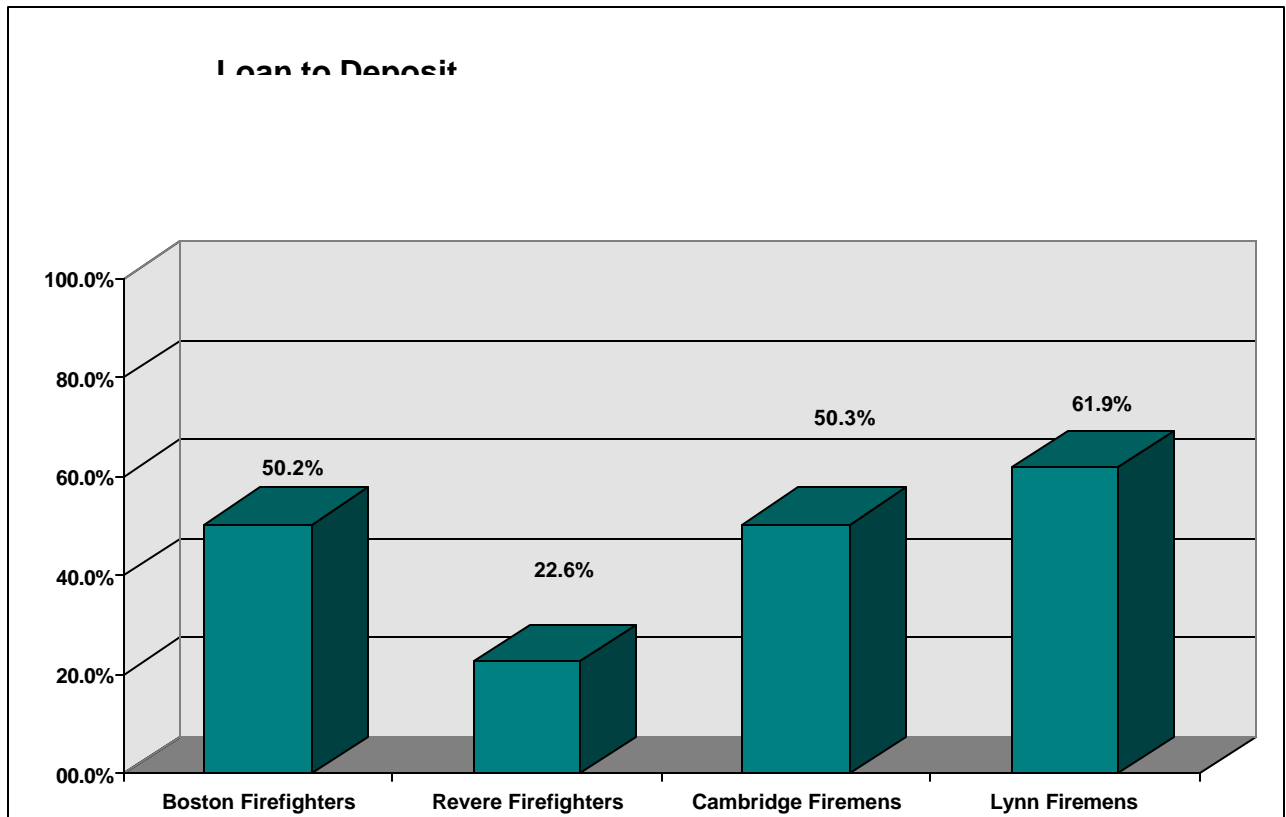
The following graph illustrates the loan-to-share trends.



Source: NCUA Call Reports

The above graph reflects a slightly declining trend from September 2001 through March 2002, when management was not actively purchasing mortgages from Members Mortgage Company, Inc. The ratio trend began steadily increasing due to resuming purchasing activity within the secondary mortgage market. Additionally, the credit union received parity in February 2003, which further enhanced the loan to share ratios.

The following graph illustrates the loan-to-share trends for comparable industrial credit unions, as of December 31, 2002.



The credit union's loan-to-share ratio is reasonable in comparison to these other industrial credit unions. The Division utilized other Firefighter credit unions as comparables.

Based on the above information and Boston Firefighters Credit Union's capacity to lend, the capacity of other similarly situated institutions to lend to their memberships and the lending opportunities available within the organization, Boston Firefighters Credit Union's loan-to-share ratio meets the standards for satisfactory performance.

## 2. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of purchased mortgage and consumer loans extended within the credit union's membership, among various income levels was conducted. All mortgage loans were purchased from Members Mortgage Company, Inc. The majority of the employee base of the Boston Fire Department reside within the Boston MSA. The median family incomes for the Boston MSA were \$70,000 for 2001, \$74,200 for 2002 and \$80,800 for 2003. Income figures were based on estimated 2001, 2002 and 2003 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

The 199 mortgage loans purchased from Members Mortgage Corporation, by number and dollar amount during the current examination period were used to analyze the credit union's residential lending activity by the various income categories. The information included in the table below indicates that the majority of purchased mortgage loans, totaling 105 loans or 52.8 percent, were granted to middle-income members. Also, of the total mortgage loans originated during the examination period, 20 loans or 10.1 percent were granted to low-income members and 57 loans or 28.6 percent was granted to moderate-income members.

### **PURCHASED RESIDENTIAL MORTGAGE LOANS BY INCOME OF BORROWER** **BY NUMBER**

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTALS	
	#	%	#	%	#	%	#	%
<50%	1	8.3	8	10.0	11	10.3	20	10.1
50% - 79%	0	0.0	19	23.8	38	35.5	57	28.6
80% - 119%	5	41.7	49	61.2	51	47.7	105	52.8
120% >	6	50.0	4	5.0	7	6.5	17	8.5
<b>TOTALS</b>	<b>12</b>	<b>100</b>	<b>80</b>	<b>100</b>	<b>107</b>	<b>100</b>	<b>199</b>	<b>100%</b>

Source: Credit Union Files

The information included in the table below indicates that the majority of residential mortgage loans purchased by dollar amount, 51.5 percent, were granted to middle-income members. Also, of the total mortgage loans originated during the examination period, 8.2 percent was granted to low-income members and 30.9 percent was granted to moderate-income members.

**PURCHASED RESIDENTIAL MORTGAGE LOANS ORIGINATIONS BY INCOME OF BORROWER BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTALS	
	\$000s	%	\$000s	%	\$000s	%	\$000s	%
<50%	139	8.2	1091	9.4	1,527	7.5	2,757	8.2
50% - 79%	0	0.0	2,741	23.3	7,739	37.9	10,480	30.9
80% - 119%	715	41.7	7,335	62.4	9,409	46.1	17,459	51.5
120% >	859	50.1	580	4.9	1,746	8.5	3,185	9.4
<b>TOTALS</b>	<b>1,713</b>	<b>100%</b>	<b>11,747</b>	<b>100%</b>	<b>20,421</b>	<b>100%</b>	<b>33,881</b>	<b>100%</b>

Source: Credit Union Files

An analysis of a sample of 60 consumer loans, by number and dollar amount, originated during the current examination period was completed.

The table below indicates that the greatest percentage of the consumer loan sample or 48.3 percent was granted to moderate-income members. This represents 29 loans. Also, of the total sample, 11 loans or 18.3 percent was granted to low-income members and 16 or 26.7 percent was granted to middle-income members.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER  
BY NUMBER**

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTALS	
	#	%	#	%	#	%	#	%
<50%	1	5.0	8	40.0	2	10.0	11	18.3
50% - 79%	12	60.0	8	40.0	9	45.0	29	48.3
80% - 119%	7	35.0	4	20.0	5	25.0	16	26.7
120% >	0	0.0	0	0.0	4	20.0	4	6.7
<b>TOTALS</b>	<b>20</b>	<b>100%</b>	<b>20</b>	<b>100%</b>	<b>20</b>	<b>100</b>	<b>60</b>	<b>100%</b>

Source: Credit Union files



The information included in the table below indicates that the highest number of the consumer loan sample by dollar amount, 46.3 percent was granted to moderate-income members. Also, 17.0 percent was granted to low-income members.

**CONSUMER LOAN ORIGINATIONS BY INCOME OF BORROWER**  
**BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	2001		2002		Y-T-D 2003		TOTALS	
	\$000s	%	\$000s	%	\$000s	%	\$000s	%
<50%	38	13.7	93	38.1	4	1.5	135	17.0
50% - 79%	161	57.9	94	38.5	115	41.5	370	46.3
80% - 119%	79	28.4	57	23.4	100	36.1	236	29.5
120% >	0	0.0	0	0.0	58	20.9	58	7.2
<b>TOTALS</b>	<b>278</b>	<b>100%</b>	<b>244</b>	<b>100%</b>	<b>277</b>	<b>100%</b>	<b>799</b>	<b>100%</b>

Source: Credit union files

It should be stated that consumer loans typically consider the income of only one borrower. For the purposes of this analysis, however, they are compared to a median family income which slightly inflated the originations of the lower income categories.

The distribution of credit among members and the above information reflects an adequate penetration among members of different income levels, including those of low and moderate-income. Therefore, the distribution of credit among different income levels meets the standards for satisfactory performance.

### **3. REVIEW OF COMPLAINTS/FAIR LENDING**

Boston Firefighters Credit Union has not received any complaints related to its CRA performance since the previous examination. However, the credit union has procedures in place should any consumer complaints related to CRA be received.

#### **FAIR LENDING POLICIES AND PRACTICES**

The credit union has a current formal fair lending policy, which meets the requirements of Regulatory Bulletin 2.3-101, the Division's fair lending policy. The credit union's fair lending policy is a statement that the Board of Directors constantly reviews the credit union's loan products and banking services in order to be responsive to the needs of its membership.

The credit union's marketing activity includes placing information on its credit products and services in public view within the main lobby of its main office and Firehouses where its members are employed. The credit union also includes statement stuffers in correspondence sent out to the membership and there are brochures located in the credit union's lobby.

The credit union refers members to Members Mortgage Company, Inc., which offers several products with flexible lending terms. The criterion for the various types of credit offered, as well as the procedures for completing a loan application, were reviewed during the examination. No practices intended to discourage applications were found.

The credit union sponsored several first-time homebuyer seminars in participation with Members Mortgage Company, Inc.

Based on the foregoing information, the credit union meets the standards for satisfactory performance in this category.

**THE COMMONWEALTH OF MASSACHUSETTS**

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**BOSTON FIREFIGHTERS CREDIT UNION**

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **OCTOBER 15, 2003**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Directors/Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 19 \_\_\_\_

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment area shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.